

00- R -1685

A RESOLUTION

BY COMMUNITY DEVELOPMENT/HUMAN RESOURCES COMMITTEE

A RESOLUTION EXPRESSING SUPPORT FOR THE FULTON COUNTY RESOLUTION, ADOPTED ON SEPTEMBER 20, 2000, IN SUPPORT OF EFFORTS TO PROHIBIT PREDATORY LENDING PRACTICES IN FULTON COUNTY AND THE CITY OF ATLANTA; AND FOR OTHER PURPOSES

WHEREAS, the City of Atlanta is the largest City within Fulton County; and

WHEREAS, the City Council of Atlanta concurs with and supports the resolution adopted by Fulton County on September 20, 2000; and

WHEREAS, the City Council hereby reiterates the provisions, with appropriate amendments applicable to the City of Atlanta, included in the resolution dealing with predatory lending practices in Fulton County and the City of Atlanta, as follows; and

WHEREAS, housing is one of the most important assets held by residents and taxpayers in Fulton County and the City of Atlanta, including that portion of the City of Atlanta in DeKalb County; and

WHEREAS, an individual's investment in housing often represents the single most significant financial commitment of a lifetime; and

WHEREAS, it is in the best interests of Fulton County and the City of Atlanta Governments to help protect these assets in order to promote and preserve viable and prosperous neighborhoods throughout Fulton County and the City of Atlanta; and

WHEREAS, homeowners of the City of Atlanta, particularly African-American and elderly residents of Fulton County and the City of Atlanta are increasingly targeted by companies who engage in abusive and predatory lending practices, for the purpose of increasing the likelihood of foreclosures and the opportunity to take title in such properties; and

WHEREAS, the Metropolitan Atlanta area is number one in the nation for foreclosures, and during 1999, there were more than 7,348 foreclosures in the City of Atlanta, Fulton and DeKalb Counties; and

WHEREAS, it is the policy and intent of the Fulton County Board of Commissioners and the City of Atlanta City Council that the level of homeownership in Fulton County and the City of Atlanta be increased, and that the residents, taxpayers, and families of Fulton County and the City of Atlanta be protected from predatory lending practices to the fullest extent permitted by law; and

WHEREAS, the Fulton County Board of Commissioners and the Atlanta City Council support the federal and state governments, as well as the Freddie Mac and Fannie Mae lending agencies, to better regulate and expose predatory lending practices, in order to ensure that homeowners are not victimized by such practices and in order to ensure that there are laws in place to criminalize such practices; and

WHEREAS, the Fulton County Commission and the City of Atlanta support the efforts of DeKalb County to stop predatory lending practices; and

WHEREAS, Freddie Mac, Fulton and DeKalb Counties and the City of Atlanta have joined together in the "Don't Borrow Trouble" campaign, recently launched in the Atlanta area to alert local families about the dangers of predatory lending.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF ATLANTA, GEORGIA AS FOLLOWS:

SECTION 1 That the Mayor of the City of Atlanta is authorized to cooperate with the efforts of Fulton County and DeKalb County, the involved agencies of the federal and state governments, and local community organizations to reduce and eliminate predatory lending practices.

SECTION 2 That the Atlanta City Council supports the efforts by federal, state, and county authorities to enact laws and regulations that prohibit and criminalize predatory lending practices.

SECTION 3 That the City Council hereby reiterates the provisions, with appropriate amendments applicable to the City of Atlanta, included in the aforesaid Fulton County resolution dealing with and defining what constitutes predatory lending practices in Fulton County and the City of Atlanta, as follows:

- 1) **Equity Theft:** The practice of acquiring excessive amounts of equity in residential properties, structured through loans characterized by unreasonably high interest rates, fees, or unaffordable payments, so as to increase the likelihood of default and foreclosure.
- 2) **Falsification of Loan Documents:** The practice of intentionally falsifying loan documents in order to exaggerate an individual's ability to repay a loan, or the practice of placing an applicant's signature or initials on loan documents, without the applicant's knowledge and consent.
- 3) **Contracting with Incapacitated Borrowers:** The practice of making loans to homeowners who are clearly mentally incapacitated and, therefore, not able to understand the nature and obligations of the loan.
- 4) **Flipping:** The practice of successive, repeated refinancing of loans, in order to create new loans, for the purpose of increasing the likelihood of default and foreclosure.
- 5) **Excessive Balloons:** The practice of structuring loans such that at the end of the loan period, the borrower still owes most or all of the original principal, for the purpose of increasing the likelihood of default and foreclosure.

- 6) **Negative Amortization:** The practice of structuring loans such that the interest is not fully amortized during the life of the loan, thereby increasing the principal each month and increasing the likelihood of default and foreclosure.
- 7) **Insurance Packing:** The practice of charging exorbitant insurance premiums for credit insurance sold as part of a loan, without the knowledge and consent of the borrower, and the practice of unreasonably forcing the purchase of insurance in connection with the approval of a loan.
- 8) **Loans in Excess Value:** The practice of making loans to homeowners where the amount of the loan exceeds the value of the subject property, thereby making it difficult to refinance, and increasing the likelihood of default and foreclosure, leaving the possibility of a deficiency claim against the borrower.
- 9) **Excessive Prepayment Penalty:** The practice of imposing excessive prepayment penalties, in an effort to prevent the borrower from refinancing with other lenders, and in order to lock the borrower into a long-term unfavorable loan.
- 10) **Home Improvement Scams:** The practice of charging excessive fees and charges for home improvements contained in loan agreements which provide for excessive interest charges, and which increase the likelihood of default and foreclosure.
- 11) **Steering:** The practice of steering loan applicants with good credit to high rate lenders, for the purpose of increasing the likelihood of default and foreclosure.

HOUSING

Support Legislation Addressing the Issue of Predatory Lending

Background

Housing is one of the most important assets held by residents and taxpayers in the City of Atlanta, including that portion of the City of Atlanta in DeKalb County. An individual's investment in housing often represents the single most significant financial commitment of a lifetime. It is in the best interests of the City of Atlanta to help protect these assets in order to promote and preserve viable and prosperous neighborhoods throughout the City.

Homeowners of the City of Atlanta, particularly African-American and elderly residents of the City of Atlanta are increasingly targeted by companies who engage in abusive and predatory lending practices, for the purpose of increasing the likelihood of foreclosures and the opportunity to take title in such properties.

The Metropolitan Atlanta area is number one in the nation for foreclosures, and during 1999, there were more than 7,348 foreclosures in the City of Atlanta, Fulton and DeKalb Counties.

It is the policy and intent of the City of Atlanta that the level of homeownership in the City of Atlanta is increased, and that the residents, taxpayers, and families of the City of Atlanta are protected from predatory lending practices to the fullest extent permitted by law.

The Atlanta City Council supports the federal and state and county governments, as well as the Freddie Mac and Fannie Mae lending agencies, to better regulate and expose predatory lending practices, in order to ensure that homeowners are not victimized by such practices and in order to ensure that there are laws in place to criminalize such practices.

Freddie Mac, Fulton and DeKalb Counties and the City of Atlanta have joined together in the "Don't Borrow Trouble" campaign, recently launched in the Atlanta area to alert local families about the dangers of predatory lending.

The City of Atlanta supports the efforts by federal, state and county authorities to enact laws and regulations, which prohibit and criminalize predatory lending practices.

TRANSMITTAL FORM FOR LEGISLATION

To Mayor's Office: Greg Pridgeon, Mayor's Office
(for review & distribution to Executive Management)

Commissioner Signature <u><i>Mark Dobbins</i></u>	Director Signature _____
From: Originating Dept. <u>DPDNC/OC</u>	Contact (Name) <u>Tim Polk x6232</u>
Committee of Purview <u>CD HR</u>	Committee Deadline <u>10/13/00</u>
Committee Meeting Date <u>11/1/00</u>	City Council Meeting Date <u>11/6/00</u>

CAPTION:

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BACKGROUND/PURPOSE/DISCUSSION:

See attached resolution

FINANCIAL IMPACT (if any):

N/A

OTHER DEPARTMENT(S) IMPACTED: Mayor, Law

COORDINATED REVIEW WITH: Mayor's Office of Intergovernmental Affairs, Housing

Mayor's Staff Only

Received by Mayor's Office:	Reviewed:	Submitted to Council:
<u>10/9/00</u> (date)	<u><i>RP</i></u> (initials)	<u>10/19/00</u> (date)

Action by Committee: ☐ Approved ☐ Adversed ☐ Held ☐ Amended ☐ Substitute ☐ Referred ☐ Other